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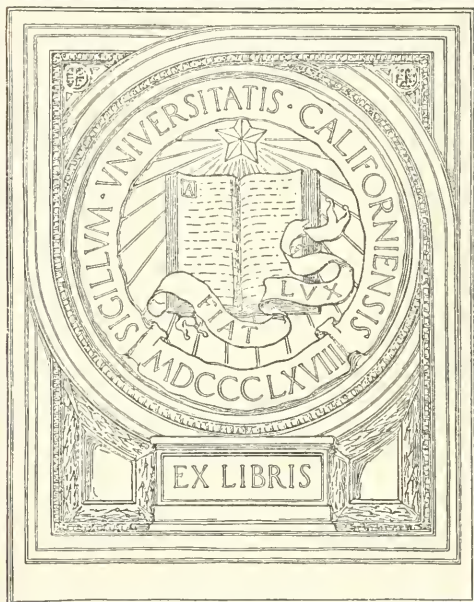


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Let Us Have the Truth
The Whole Truth
And Nothing but the TRUTH

THE
SPEECH
DELIVERED
BY
THE
HON. C. A. BARLOW
AT
THE
MAGUIRE WIGWAM
ON
OCTOBER 26, 1895

A SPEECH DELIVERED BY THE

HON. C. A. BARLOW

At the Maguire Wigwam, on October 26, 1895



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R. J. WATERS' BUSINESS OPPORTUNITIES.

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The Republican papers and orators in the Sixth Congressional district are having much to say about Mr. C. A. Barlow's business opportunities, but they cannot put their finger on a single act of his that has not been strictly honorable as between man and man.

What is Mr. R. J. Waters' business record? Is it clean and will it stand investigation?

A LITTLE HISTORY

Mr. Waters came to Redlands in 1886, as a man of moderate means and soon thereafter became interested in the Bear Valley irrigation enterprise. In 1891, that company was re-incorporated with a capital stock of \$4,000,000. Of this amount \$1,000,000 was preferred stock, which was entitled to eight per cent dividends, and \$3,000,000 was common stock, which was entitled to such dividends as the company might be able to pay, after the preferred stock dividends had been provided for. From the reorganization of the company up to a short time before its failure, in 1893, Mr. Waters was a member of the board of directors, and for a portion of that time, he was the business manager.

DISCOUNTING THE FUTURE

The company sold water rights to the Alessandro and Perris irrigation districts to the extent of a continuous flow of 8375 inches during the irrigation season, taking in payment therefor Alessandro district bonds to the extent of \$765,000, and Perris district bonds to the extent of \$240,000.

These bonds were delivered to the Bear Valley Irrigation company on the distinct understanding and agreement that the money received from the sale of these bonds was to be used in constructing a new dam for the reservoir and otherwise enlarging the water system of the company, so as to enable it to deliver to the districts the 8375 inches of water for which the bonds were given, it being well known that the Bear Valley company at that time did not have as much as one thousand inches of water in excess of the amount called for by previously existing contracts.

HIRING A STOCK SHARP.

The company employed one Charles W. Greene of New York to sell its stocks and bonds, agreeing to pay him fifteen per cent. on all sales made. To assist in selling the stock the company declared a ten per cent. dividend. At first the common stock was sold at par, but under the stimulus of large dividends, the price was gradually forced up to \$160 per share.

BIG SALES—BIG COMMISSIONS.

The company thus sold about one-half of the district bonds at par and one-third of the common stock, receiving in all about \$1,500,000 therefor, less about \$225,000, which was paid in commissions.

SHAM COLLATERAL CORPORATIONS.

As a justification of these large dividends, the company carried on its books and into its printed statements and prospectuses more than a million dollars of purely and absolutely fictitious assets, known to be such and of no value whatever by its managers, the fraudulent scheme being resorted to of forming collateral corporations with purely fictitious capital and selling property to such corporations for many times its actual value, and taking payment in fabulous amounts of the stock of such corporations and large amounts in the notes of such corporations, and then immediately releasing the stockholders of such sham concerns from all stockholders' liability upon such notes. Yet this sham stock and these worthless notes were carried upon the books and into the statements of such company at their face value and offsetting positive and absolute liabilities to such full value.

WATERS A DIRECTOR ALL THE WHILE.

Mr. Waters was present at the directors' meetings of the Bear Valley Irrigation Company, as a member of its board of directors, when these sham sales to these sham corporations were made AND VOTED FOR THEM, and also voted for the resolution releasing the stockholders of one such sham corporations (the Alessandro Valley Land company) from all liability on account of \$172,000 of the notes of the latter company given to the Bear Valley Irrigation company, and also voted for a later resolution, which authorized the Bear Valley Irrigation company to indorse and GUARANTEE the payment of such notes, in order that money might be raised upon them to continue the payment of the unearned dividends to the Bear Valley company stockholders and further inflate the stock.

BIG UNEARNED DIVIDENDS

The sworn statement of the Secretary of the Bear Valley Irrigation company shows that such company declared and paid dividends as follows:

January (?) 2, 1891, a cash dividend of	\$128,527.15
December 8, 1891, a cash dividend of	142,625.33
April 22, a cash dividend of	144,138.14
May, 1892, a cash dividend of	18,360.00
August 2, 1892, a cash dividend of	147,020.00
December 13, 1892, a cash dividend of	19,244.00

December 15, 1892, a cash dividend
of 148,670.00

Making a total of.....\$748,534.62

Of the dividends so declared, there was actually paid \$694,532.62, leaving dividends declared and unpaid amounting to \$54,252.

Mr. Waters was an active director of the Bear Valley Irrigation company during all of the time covered by these dividends, except possibly the last \$157,000 thereof, and the records do not show that he ever protested or voted against any of such dividends.

During the period of time in which these dividends were declared and paid, the floating indebtedness of the Bear Valley Irrigation company increased \$420,000 and during such period a mortgage indebtedness of such company of \$300,000 became due, but was in no way paid or reduced, but an extension of payment was secured until December, 1895. Nearly one-half of the money received from the sale of stock and bonds was paid out in dividends, and while some money was spent in the construction of flumes, pipe lines and other similar improvements, the water supply of the company was not increased to the extent of one inch.

SMALL LEGITIMATE INCOME

During the time that the company was paying these enormous dividends making a total of over \$694,000 to its stockholders, the legitimate earnings of the company from the rental of the water did not exceed \$10,000, while the maintenance charges of their water system during such time exceeded \$103,000, and the cash income from the sale of lands did not equal the expenditures in connection with the land account. Yet, nevertheless, while such necessary outgo so largely exceeded the income, while the floating indebtedness of the company was so largely increasing and the fixed indebtedness maturing and going unpaid, these enormous dividends to the extent of \$694,000, were declared and paid.

FRAUDULENT STATEMENTS

In order to bring about these large sales of the capital stock of the Bear Valley company at such handsome figures, running from par to 60 per cent above par, the managers of the company not only boomed the stock by the payment of these large unearned dividends, but they sent forth published statements in which they justified such dividends and such high prices of the stock by showing that all of the dividends were paid from surplus earnings and that a large dividend fund, approximately one million dollars, yet remained intact and untouched.

WIDOWS AND ORPHANS SUFFER

Relving upon these glittering, false and fraudulent statements, which, however, seemed to be borne out by the actual payment of dividends, eastern and foreign investors were led to heavily invest in the

stock, one Swiss lawyer thus investing over \$150,000 of trust funds in his keeping, belonging to widows and orphans, which investments proved a total loss.

FIFTEEN PER CENT. DIVIDEND.

In the spring of 1893, a fifteen per cent. dividend was declared and most of it was paid, but a few months later the company failed with over \$1,200,000 of indebtedness with no money to pay the debts, and \$53,000 of unpaid dividends, although a published statement of the affairs of the company, issued a short time before the failure, showed over one million dollars to the credit of the dividend fund.

FELONY AND MISDEMEANOR.

Those who are acquainted with the Penal Code of California (see sections 560 and 565) can figure out where these transactions place men who pay dividends out of money received from the sale of stock, or who issue false statements as to corporate assets.

GETTING BONDS UNDER FALSE PRETENSES.

The voter can also ascertain to what extent Mr. Waters and his associates kept faith with the landowners in the irrigation districts, when they used the proceeds of the sale of district bonds to pay dividends in order to inflate the price of the company's stock, instead of using it to increase the water supply for the benefit of the ranchers and landowners in those districts who had imposed a lien upon their lands to the extent of \$20 an acre in order to pay for that water supply.

A SHREWD BUSINESS MAN.

Mr. Waters appears to have been the shrewdest man in the Bear Valley management, for, when by reason of the fraudulent dividends the stock reached a market value of \$160 a share or thereabouts, he proceeded to unload his stock on his neighbors and friends. He sold for cash and he traded for property. Soon he had a bank account and many pieces of good real estate, but no Bear Valley stock. The Board of Directors, of which he was a member, having voted these large dividends, he was enabled to sell his stock to good advantage and shortly thereafter the affairs of the company were placed in the hands of a receiver, and very soon the stock which was sold at so great a premium could not be sold for one cent per share.

As evidence that Mr. Waters was the leading spirit in the management of Bear Valley affairs, it should be borne in mind that he was about the only member of the board who made money by the failure and most of the members lost very heavily.

WHAT THE WIND-UP SHOWED.

Shortly afterwards, the inevitable crash came. In February, 1894, judgment was obtained in the United States circuit court for the southern district of California, in the

case of James Gilbert Foster vs. Bear Valley Irrigation company, for the sum of \$405,000, and a receiver was appointed. The report of the receiver shows such a wreck as was hardly ever before known. The following extracts from the receiver's reports and from the decree of the court will give some idea of the true condition of the affairs of this company that had a short time before paid to its stockholders \$694,000 in dividends and yet claimed to have on hand a dividend fund of \$1,051,325 as surplus earnings, over and above all liabilities and leaving its capital intact and untouched.

Receiver's report of July 26, 1894, says:

"To complete the plan of the Bear Valley Irrigation company and put it in a position to fill its existing water contracts will require an expenditure of at least \$1,000,000 in excess of the amount required to pay its indebtedness." (The indebtedness, as found by the receiver, then exceeded \$1,200,000.) The annual earnings of the company are \$80,574.87; the annual liabilities of the company are \$132,000, showing an annual deficit of \$41,425.13."

DECREE OF THE CIRCUIT COURT OF AUGUST 27, 1894.

The decree of the circuit court, dated August 27, 1894, in such case, among other things, finds:

"That the annual expense of maintaining the plant of said defendant corporation, the interest on its indebtedness and taxes upon its property, exclusive of the compensation of its receiver herein, exceeded the annual revenue of the corporation by the sum of at least \$41,000, and that said corporation is insolvent and unable to pay its indebtedness."

Receiver's report of February 5, 1895, says:

"Defendant was then, when receivers were appointed, March, 1894, without funds and without credit; its works were out of repair, and its employees disgruntled by reason of the long continued non-payment of their wages, and all its property advertised for sale for delinquent state, county, city and irrigation district taxes. The corporation generally was in bad repute in every locality in which it was delivering water."

"That petitioners found themselves hampered by contracts unfavorable to defendant, made by pretended agents of the corporation, who assumed despotic authority in bartering away rights, privileges and emoluments of defendant."

RECEIVER'S CERTIFICATES ISSUED AMOUNTING TO \$153,000.

In order to pay the operating expenses of this property during the year that such suit was pending, and to relieve the property from pressing laborers and mechanics' liens, it became necessary not only to apply all the income received from the property during such time, but in addition to issue receiver's certificates amounting to \$153,200.48, which

were made a first lien upon all of the company's property.

CREDITOR BUYS IN THE ENTIRE PROPERTY FOR \$380,000.

This litigation resulted in all of the property of the Bear Valley Irrigation company (WHICH THE YEAR BEFORE WAS CARRIED ON THE BOOKS AND INTO THE STATEMENTS AND PROSPECTUSES OF THE COMPANY AS BEING WORTH OVER \$5,000,000) being sold to a judgment creditor of the company for \$380,000, subject to about \$450,000 the mortgage indebtedness, and \$153,000 the receiver's certificates.

PRESENT VALUE OF THE PLANT.

Within the last month a plan of re-organization of the Bear Valley property has been in active negotiation between the users of water under the Bear Valley system and the present owners of the property with the result that the owners of the property and those having liens upon it, including the owners of the mortgage and the holders of the receivers' certificates, have all proposed to sell and surrender all interest in the property for the sum of \$525,000, and to take their pay in long-time bonds, bearing a low rate of interest to be made a lien upon the property.

The foregoing are irrefutable facts, established by the records of the Bear Valley Irrigation company, and by the court records.

MR. WATERS TRIES TO EXCUSE HIS CONDUCT

Mr. Waters and his mouthpiece, the Los Angeles Daily Times, are now trying to make it appear that he disapproved of all this looting of the Bear Valley Irrigation company, and of the payment of these unlawful dividends, and that he retired from the company before these things were done. Such attempted defense is contrary to the facts and the records and is absolutely false. The books of the Bear Valley Irrigation company show that Mr. Waters was still a director of that company until nearly \$600,000 of these unlawful dividends were paid, and that he never voted or protested against any of them.

That he did unload and get down and out of the company before the last dividend was declared and before the stock depreciated and its real actual worthlessness became generally known, is conceded, and Mr. Waters is welcome to all the credit to which this wise act of caution entitles him. For a large portion of the time during which such dividends were being declared and paid, Mr. Waters was its general manager and it was largely his scheming brain and his guiding hand that was engineering and promoting the company's affairs during that period of time, when this scheme of alluring, but unlawful dividends was decided upon. He was at the helm when the payment of these dividends began and he did not retire from the management until the

delusion was fully launched and the stock sales were booming.

NOT A CREATURE OF THE GREAT SOUTHERN CALIFORNIA BOOM

This reckless financiering cannot be excused by attributing it to the prevailing inflation that seemed to possess so many people in Southern California during the great real estate boom of 1887-88, for it had its origin two years later, after values had receded to normal conditions and while the serious lessons of the boom were still fresh in the minds of all. So this Bear valley South Sea bubble cannot be excused as a creature of the great Southern California real estate boom.

THE TIMES' DEFENSE OF WATERS.

In its attempted editorial defense of Mr. Waters in the Times of October 25, 1898, it is conceded that the "characteristic promoter," F. E. Rowan, the founder of the Bear valley enterprise, secured the assistance of Mr. R. J. Waters as his CONFIDENTIAL ADVISER in connection with floating the Bear valley proposition. The fictitious capitalization of the enterprise is admitted by the Times in the following language: "The campaign of inflation was on; the stock of the company, representing a paid-up value of \$42 per share, was called in, and a double quantity issued; this was in time called in and \$3 of face value in stock was issued for \$1 of the second issue, leaving the stock with a paid-up value of \$7 per share. But notwithstanding this outward appearance of prosperity, the managers of the company were driven to desperate straits by the fact that the floating indebtedness of the company had mounted up to half a million dollars. THEN IT WAS THAT THEY CAME TO MR. WATERS AND BESOUGHT HIM TO RESCUE THE COMPANY FROM ITS DESPERATE POSITION. While he had but a trifling interest in the company, and while the company had plunged into recklessness in opposition to his advice, still his property was under the Bear valley system and he had LONG HELD CONFIDENTIAL RELATIONS WITH THE PRINCIPAL PROMOTERS OF the company. THESE CONSIDERATIONS WERE SUFFICIENT TO INDUCE HIM TO LAY HOLD OF THE COMPANY'S AFFAIRS TO RESCUE THEM. So confused were the affairs of the company that it took ninety days to ascertain the amount of the indebtedness, and yet, despite all the obstacles, within less than a year the Bear valley company had paid off every dollar of its floating indebtedness."

There are some grains of truth in these statements. What is said as to the inflation of the stock is true; what is said as to Mr. Waters' relation with the promoters of the company is true; that his interest in the company and his relations to its promoters induced him to lay hold of the company's affairs is true, but it is not true that with-

in a year thereafter the company had paid off every dollar of its floating indebtedness. On the contrary, its indebtedness was largely increased during such period. The truth is that Mr. Waters took hold of the affairs of the company just prior to the beginning of the campaign of the inflation of stock by the payment of unearned and unlawful dividends, and he remained general manager thereof for a large portion of the time covered by such unlawful payments. He actively connived at the various schemes resorted to to bring about the result of stock inflation; printed prospectuses, signed by him as general manager, justified investors in believing the stock was worth all that Mr. Charles W. Greene, as its financial agent, was claiming it to be worth.

Mr. Waters may have had some disagreements with Mr. Greene, during the latter portion of the campaign of inflation that caused the company to hold on to Mr. Greene and to permit Mr. Waters to step out of the directory, but these misunderstandings, if any, were long after the mischief had been done, and was when the company was on the brink of ruin, and nothing but such dazzling and audacious achievements as those of Charles W. Greene in continuing to sell stock at \$160 a share seemed to offer any hope of staying a certain collapse of the entire concern.

In the opening of its defense of Mr. Waters, in the editorial above referred to, the Times says:

"Before that gentleman's (Mr. Waters) nomination, the work of the backbiters, which were slandering Mr. Waters prompted the Times to investigate the matter, not through suspicion of Mr. Waters' character, but to ascertain if the facts were such that they could even be considered to cast odium upon that gentleman.

"As a result of that investigation, this paper found that the whole connection of Mr. Waters with the Bear Valley company was such as to cast honor upon him."

In connection with this, its defense of Mr. Waters, the Times says:

"At this time (the year that Mr. Waters came to the rescue of the Bear Valley company) came the amazing announcement that Charles W. Greene was selling the company's stock in Europe for \$160 on a guarantee of 15 per cent. annual dividends.

"The idea of paying \$15 dividends per year on an investment of \$7 seemed to Mr. Waters to be the height of absurdity, and he gave to his associates the alternative of choosing between sustaining Mr. Greene or allowing him to drop from the company. The stockholders were dazzled with the achievements of Mr. Greene, and R. J. Waters stepped out of the Bear Valley company with a record for honesty and business sagacity which have been often illustrated by the calamities which have beset the company as a result of its gross mismanagement, against which Mr. Waters persistently raised his voice, though in vain, and that is the whole story."

We have no evidence as to the thoroughness of the Times' investigation as to Mr. Waters' connection with the Bear Valley company, but that it was probably confined to asking Mr. Waters if he wasn't all right, is evidenced by the following facts and records, taken either from the minute book of the Bear Valley Irrigation company, or from the court records:

The minute book of the Bear Valley Irrigation company shows the first meeting of such company was had for the purpose of organization, upon December 19th, 1890, at which meeting such company purchased the entire water plant of the Bear Valley Land and Water company, giving therefor two million dollars (\$2,000,000) of its common stock and purchased the property of the Alessandro Land and Development company, giving therefor four hundred thousand dollars (\$400,000) of its common stock, leaving in the treasury undisposed of one million dollars (\$1,000,000) of its preferred stock and six hundred thousand dollars (\$600,000) of its common stock.

The same minute book, page 7, at the fourth meeting of the board of directors of the Bear Valley Irrigation company, held December 31st, 1890, twelve days after its organization, shows that R. J. Waters was regularly elected as a director of such company and took his place on the board. At the same meeting, the minutes show that R. J. Waters was elected a member of the executive committee of such company.

At the next meeting of the company, January 3d, 1891, four days later, R. J. Waters was appointed assistant general manager of the company (see page 11, minute book).

On March 3d, 1891, (see page 85 minute book) R. J. Waters was re-elected director and assistant general manager, and on such date a financial department of such company was established (see page 89, minute book) and R. J. Waters was elected the head of the financial department and director for the coming year.

On June 2nd, 1891, (see minute book, page 154) the corporation declared a dividend of four per cent. on its preferred stock and five per cent. on its common stock. Mr. Waters was present as a director and voted for this dividend.

On August 22, 1891, (see minute book, page 186) a resolution was introduced by Mr. Waters, and passed, binding the Bear Valley Irrigation company to guarantee the payment of the principal and interest of the Perris and Alessandro district bonds, owned by the company, aggregating in amount over one million dollars (\$1,000,000). This resolution was reiterated in more formal language at subsequent meetings held September 17th, 1891, and October 13th, 1891, (see page 197 and 213, minute book).

On October 22, 1891, Mr. Waters was elected general manager of the company, instead of merely assistant manager, so that at such dates he was a director, general manager, and the head of the financial department.

The court records show that in a subsequent attempt to defend the policy of the Bear Valley Irrigation company in its course in paying these large dividends, that its managers were relying upon the fact that in order to keep faith with the stockholders to whom stock had been sold, it was necessary to live up to the representations made to them in printed circulars sent them prior to their purchase of stock. The first circular referred to as justifying such continuance of dividends was signed by Charles W. Greene, financial agent of the Bear Valley Irrigation company, from which we take the following extracts:

A FAVORABLE SHOWING.

New York, Nov. 12th, 1891.

At a conference held here, at which the California directors were represented by F. E. Brown, chief engineer, and R. J. Waters, general manager of the Bear Valley Irrigation company, and the leading Eastern stockholders, a very careful examination as to the financial condition of the company was made, with the following results:

Fifth—The amount of the securities, irrigation district bonds and land notes in the said fund (dividend funds) amounts now to almost one million, five hundred thousand dollars (\$1,500,000). There have been other sales of water rights, agreed to, but not consummated, which will increase this fund to more than two million dollars (\$2,000,000). This can be realized on readily as needed, for dividends.

Sixth—It is therefore deemed justifiable to announce that the company will, in addition to the regular dividends of five per cent. on each date, January 1st and July 1st, respectively, pay an extra dividend on common stock on the 1st of April, or a total of 15 per cent. a year. This rate can be maintained beyond question, continuously.

Eighth—It is also considered that the present capital will be sufficient to meet the requirements of the company for the development of its entire plant, and the completion of its works as planned.

Under these circumstances I am justified in advancing the price of common stock, or as much of it as remains beyond the present selling price.

Not to do injustice to the agents who may have transactions pending, I may adopt the following plans:

Fifty thousand dollars (\$50,000) of the common stock will be offered to sell at one hundred and fifteen dollars (\$115) per share; agents will be notified by telegraph when the amount has been taken.

The second fifty thousand dollars of the company stock will be sold for one hundred and twenty dollars (\$120) per share.

The third fifty thousand dollars of the company stock will be sold at one hundred and twenty-five dollars (\$125) per share.

The fourth and last fifty thousand dollars of the company stock will be sold at one

hundred and thirty dollars (\$130) per share.

You will readily see that this stock, even at \$150 per share, is a better investment to a purchaser than when it was offered at par, and when only ten per cent. dividends were provided for.

Almost eight hundred thousand dollars (\$800,000) has been expended in improvements since that time.

I need only add in conclusion that the purchasers of this stock are getting an exceptional investment, combining the two elements of absolute safety and high rate of regular dividends.

Full information will be furnished by addressing,

CHARLES W. GREENE,
Financial agent, Murray Hill Hotel, New York City. Cable address "See Greene, New York."

WATERS BOOMING THE STOCK.

This circular was largely distributed throughout the Eastern States, England, Scotland, Switzerland, and elsewhere, under the express sanction and approval of Mr. R. J. Waters, the head of the financial department and general manager and a director of the Bear Valley Irrigation company, at the time such circular was issued.

But in a printed report, issued by Mr. Waters, as the general manager of the Bear Valley Irrigation company to the stockholders of such company, dated Redlands, California, March 1, 1892, he goes way beyond Mr. Greene in emphasizing the value of the stock of the Bear Valley Irrigation company, as the following extracts from such report demonstrate:

(Extracts from report of R. J. Waters, general manager, to the stockholders of the Bear Valley Irrigation company.)

In the financing of the company, at the date of the organization, that a capital of four million dollars, \$(4,000,000), would fully provide for the completion of the works, as then projected, and that all of the income of the company, from whatever source, should thereafter be available for distribution to the stockholders. . . .

The income of the company has been so exceptionally large that while ample provision can be made for the payment of the dividends upon the preferred stock of eight per cent and on the common stock of fifteen per cent. annually, it is believed there will still be an ample surplus for the completion of the plant from the income of the company, and to provide for all the extensions, without making further increase of the capital account by sales of additional stock. This surplus, due provision being made for the preferred stock, belongs to the common stockholders, and it is proposed that as the expenditures reach round amounts, new stock shall be issued for corresponding amounts to this class of shareholders, thereby increasing their holdings, and indirectly, their dividend account.

This also has the merit of keeping down

rate of dividend, which, if fixed at a high percentage, might prejudice the company in the estimation of its patrons. . . .

The water supply, which this company has at present acquired is sufficient for the ultimate irrigation of 250,000 acres, allowing for a succession of dry years and for all the industrial enterprises and for a population of one hundred thousand people. Such development is not the work of a single decade; in fact, it can never be completely accomplished.

The income of the past year, although very large, is quite likely to be exceeded in the present year—1892. As community organizations are being made in every direction and the organization of subsidiary companies to this parent company has already begun.

The directors will easily accord the accumulation of the surplus fund, so as to absolutely insure the regular payment of dividends, and thereby enhance the market value of its stock and extend its reputation and financial standing, so that its indorsers and its securities it may have to sell will demand respect.

As to the preferred stock, it will be noted that the present account upon the securities held in the dividend fund is quite ample to make the payments at the rate of 8 per cent leaving to the common shareholders all the direct profits resulting from the operations of the company. Respectfully submitted,

R. J. WATERS,
General Manager Bear Valley Irrigation Company.

This circular, while addressed to the existing stockholders, was used by Mr. Charles W. Greene, the financial agent of the company, with prospective purchasers of stock, as an inducement to justify them to purchase stock at the exorbitant figures named by him in his previous circular.

In view of the positive statements contained in this circular that the income of the company was sufficient to continue the payment of the regular 8 per cent. dividends on the \$1,000,000 of preferred stock and the 15 per cent annual dividends on all of the common stock, it is difficult to see how the Times reaches the conclusion either that Mr. Waters' connection with the Bear Valley company "cast honor upon him," or that he considered as the "height of absurdity" Mr. Greene's scheme to pay 15 per cent annual dividends.

MORE DIVIDENDS.

Resuming again Mr. Waters' record, as shown by the minute book of the Bear Valley Irrigation company, it is found that on December 8, 1891, (see minute book, page 233), a dividend was declared of 4 per cent. on the preferred stock and 5 per cent. on the common stock, payable January 1, 1892. The record shows Mr. Waters to have been present at this meeting and to have offered no opposition to the dividends.

The minute book, under date of March 1, 1892, shows the annual meeting of the stock-

holders of the Bear Valley Irrigation company, and that Mr. Waters' printed report, extracts from which have been set forth above, was "read, received, ordered filed and adopted," and that Mr. Waters was re-elected a director for the corporation for the next ensuing year.

WATERS RE-ELECTED.

A meeting of the newly elected board of directors of the company, held upon the same day, (see minute book, page 253), shows Mr. Waters was re-elected general manager for the next year.

On April 22, 1892. (see minute book, page 274), the minutes show that a dividend of 5 per cent on the common stock of the company was declared. Director Morrison alone voting against this dividend.

This was an extra dividend of 5 per cent, in addition to the regular annual 10 per cent dividend, so as to make the total dividend on the common stock 15 per cent per annum in accordance with the promise set forth in the Greene and Waters circulars.

June 7, 1892. (see page 288 of minute book). a dividend of 4 per cent on the preferred stock was declared, payable July 1, 1892. Mr. Waters was present at this meeting and offered no opposition to the resolution.

On June 11, 1892. (see page 286 of minute book), Mr. Waters tendered his resignation as general manager of the company, as did nearly all the other officers of the company. The same was laid upon the table.

On June 14, 1892. (see pages 288 and 289) the resignations of all the officers tendered were accepted, but Mr. R. J. Waters was at once re-elected general manager, with same salary as before.

On June 15, 1892. (see page 291 minute book), a new executive committee was appointed, of which Mr. Waters, general manager, was made chairman.

On August 2 1892 (see page 315, minutes), on motion of Mr. Waters, dividend of 5 per cent, on the common stock was declared, without opposition.

On November 1, 1892 (see minute book, page 325). Mr. Waters was elected second vice president.

On November 2, 1892 (minute book, page 330). Mr. Waters resigned as second vice-president and general manager.

On December 2, 1892 (see minute book, page 332), a resolution was passed authorizing the sale of the White Water ranch, Snow Creek ranch and all water rights connected therewith and 3030 shares of the Palm Valley Water company stock for one hundred thousand dollars proposition remaining good for sixty days and a commission of five thousand dollars (\$5000) to be allowed.

Notwithstanding this the company continued to thereafter carry such property upon its books and into its printed statements and prospectuses, as having a value of \$600,000, so that they might claim that the capital was not being diminished or en-

croached upon in their subsequent claims that their dividend fund amounted to nearly one million five hundred thousand dollars (\$1,500,000).

WATERS RESIGNS

On December 2, 1892 (minute book, page 332), Mr. Waters resigned as director of the company.

From the foregoing it will be seen that Mr. Waters was director, general manager and head of the financial department of the Bear Valley Irrigation company during the whole period covered by the dividends which had been paid up to this date, amounting to \$580,670.62.

In the face of these facts, all of which are matters of record, to claim that Mr. Waters is not responsible for the declaring and payment of these unlawful and unearned dividends and for the promulgation of the false and fraudulent reports which resulted in the sale of the company's stock and bonds and fictitious prices, is so utterly false as should put to shame any one who utters such a statement.

The facts doubtless are that Mr. Waters' withdrawal from the Bear Valley Irrigation company and its management was occasioned by the conviction that the end of the confidence game was at hand and that inevitable disaster stared the company in the face, and his resignation was not occasioned by Mr. Greene's policy of paying continued dividends, but rather by the realization of the fact that the company could no longer scrape together any funds from any source with which to pay further dividends. As evidence of this fact, on December 14, 1892, twelve days after Mr. Waters resigned (see minute book, vol. II, page 3), a dividend of 4 per cent on the preferred stock was declared and on December 15, 1892 (pages 4 and 5 minute book, vol. II), a 5 per cent dividend was declared on the common stock.

Seeing no possibility of meeting the payment of these dividends they were reconsidered at a meeting of the company held January 16, 1893 (page 15, vol. II, minute book), and both dividends were rescinded.

Mr. Charles W. Greene, realizing that it would be ruinous to announce to the world that the regular expected dividend would not be forthcoming, returned to Redlands from New York and insisted that he could finance the payment of such canceled dividends, and thereafter, on the 31st day of January, 1893, the action of the board in canceling the 4 and 5 per cent dividends of December 14th and 15th was set aside and annulled, and such dividends reinstated and ordered paid.

The result, however, showed that \$54,252 was never paid, but notwithstanding this fact, on April 21, 1893 (see minute book, page 73), a dividend of 5 per cent was declared on the common stock, payable May 1, 1893, no portion of which was ever paid.

From this it is evident that Mr. Waters

stayed with the dividend policy as long as suckers would continue to bite.

As a further evidence that Mr. Waters, even after his resignation from the company, was not willing to condemn the policy of the payment of these enormous dividends, he is on record as upholding the company in their course of so doing, relying upon the enormous value of the lands owned by the company in the Alessandro Irrigation district.

VALUABLE LANDS

As late as April, 1893, a sworn statement was made by Mr. Waters that he was "acquainted with the lands owned by the Bear Valley Irrigation company, situated in the Alessandro Irrigation district, and knows the value thereof, and that the same, in the opinion of the affiant, is worth two hundred dollars (\$200) per acre." Had this statement as to the value of the lands been correct, the Bear Valley company owning in such irrigation district over 12,000 acres, it of course would result in giving these lands a value of two million four hundred thousand dollars (\$2,400,000). Upon this theory alone could even Mr. Waters justify the payment of the dividends.

THE ENGLISHMEN'S DISGUST.

The English stockholders thought at one time to reorganize the company and try to save the large sums they had invested therein, but finally concluded, after careful investigation, that it would be better to lose the money they had in the enterprise than to put in larger sums to save that which was lost.

A VALUABLE PROPERTY.

The Bear Valley reservoir system was originally a very valuable property, and it would be a valuable property yet if it could be taken out from under the stock-jobbing load that has been placed upon it by Mr. Waters and his associates. A move is now being made by the users of water from that system to accomplish this end.

SAD CONDITION OF THE VICTIMS.

In the meantime about 500 inches of water is being supplied to the residents of Alessandro, Moreno and Perris from the Bear Val-

ley system. This is all the reservoir can furnish them, although their lands are encumbered with over a million dollars in bonds to pay for 8375 inches. The best season they have only received about 160 inches. A large tract of land has been brought under cultivation and these lands are getting the water. Other lands subject to the bonded debt get no water, and many of the owners consider the case so hopeless that they allow their lands to be sold for state and county taxes, because they consider them worthless, under existing conditions. These are the lands which Mr. Waters and his associates listed at \$250 to \$500 an acre in their prospectuses to boom the stock to \$160 a share and sustain the idea of 15 per cent dividends.

PROSPEROUS BANKER WATERS.

After the wreck of the Bear Valley company, Mr. Waters moved to Los Angeles, built a fine residence on Adams street, engaged in banking, purchased the gas works at Pasadena, and now is a candidate for Congress, and the English stockholders and the Alessandro and Perris settlers and landowners are paying the freight.

COLOSSAL DEBTS.

When the affairs of the Bear Valley Irrigation Company finally went into the hands of a receiver, shortly after the last of these fraudulent dividends had been declared, the debts of the corporation were found to be over \$1,200,000.

MATTERS OF RECORD.

All of these facts, with many interesting details, are matters of record in the litigation occurring at the time of winding up the affairs of the Bear Valley company.

It is a well known fact that the Bear Valley Irrigation Company has not now and never had water enough to irrigate twenty thousand acres of land, despite Mr. Waters' circular that it had water sufficient to irrigate 250,000 acres.

Few men have had such a business opportunity as this and have taken such advantage of it.



TEN REASONS

Why the Honorable C. A. Barlow Should be Returned to Congress from the Sixth Congressional District :

1. Secured Four Hundred Thousand Dollars appropriation in the Lower House for San Pedro Harbor.

2. He secured the Pine Mountain and Zaca Lake forest reservation.

3. He secured passage of bill granting the city of Santa Barbara Three Thousand Five Hundred acres of land, to develop Municipal water supply.

4. He secured over Twenty-eight thousand dollars of back pension money for the Old Soldiers, and did more work for them than all of his predecessors from the Sixth District put together.

5. He voted for the free and unlimited coinage of silver at the ratio sixteen to one, and also introduced into the House of Representatives an Income Tax Amendment to the Constitution.

6. He supported all measures indorsed by organized labor.

7. He voted against the Refunding Bill.

8. He is in favor of the immediate construction of the Nicaragua Canal by the government, to be owned by the government and operated by the government in the interest of the people.

9. He believes in the policy of protection of labor, and agrees with Speaker Reed " That the Dingley Bill is a failure."

10. He stands for equal rights for all, and special privileges for none.

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